

FLA Audit Profile	
Factory Code	68001522H
Country	China
FLA Affiliate	Deckers
Monitor	SGS
Audit Date	November 4-6 2009
Products	Footwear
Processes	Cutting, spray painting, sewing, inspection, packing
Number of Workers	3246



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## Wages, Benefits and Overtime Compensation: B. Deposit of Legally Mandated Deductions

WBOT.13 All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc. The employer shall not hold over any of these funds from one pay period to the other unless the law specifies that deposits are to be made less frequently than pay periods (e.g., monthly deposits, weekly pay). If the law does not specify, then deposits shall be made before the next pay period in all cases. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Servillance)	Noncompliance

**Explanation:** The factory did not provide social insurance benefits to all employees. Particularly, according to the payment invoices on September and October 2009: Retirement: 1642 (Sep. 2009) Injury: 2016 (Sep. 2009) Unemployment: 1708 (Sep. 2009) Medical: 1642 (Oct. 2009) Maternity: 0 But the factory provided the integrated accident insurance at a commercial insurance company for all employees. Sources: Management and worker interviews, documents review (payment invoice), payroll deduction for social endurance. Legal reference: China Labor Law, Article 72,73

**Plan Of Action:** The factory is required to make plans to progressively increase the coverage of the social insurance. The factory must also educate all workers on the importance of participating in the social insurance programs.

**Deadline Date:** 03/31/2010

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** As observed in Deckers visit in mid December, the current coverage of social insurance is about 50%. In December, factory added social insurance for another 400 employees.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

## Wages, Benefits and Overtime Compensation: O. False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Servveillance)	Noncompliance

**Explanation:** Hidden overtime wages were identified due to incomplete and inaccurate working hour recording. Both management and related production records confirmed that workers in workshops would have overtime on Sundays sometimes to cope with the production necessity almost every month since this year. But the corresponding time records indicated that these workers rested on all Sundays. The management was open towards this non-compliance and confirmed that workers were not required to swipe their timecards on these Sundays. But the management stated that such cases only happened to one to two workshops (100-500 workers) every time. And the overtime wages were paid through cash and not reflected on the payrolls provided to auditors. And the wages shown on the payrolls were paid through bank transfer. Due to the incomplete and inaccurate overtime recording, the factory's actual overtime, rest days, weekly working hours and overtime wage could not be verified. But according to related production records and management and workers' testimonies, the estimated weekly working hours would be up to 76 hours and the average weekly work possibly was 64 hours. Also, on an estimated basis, 1. The average rest days in a month would be 1-3 days. 2. The daily overtime was up to 4 hours and monthly overtime would be up to 120 hours and average number was 100 hours. Sources: management and workers interview, review the related on-site production records, time records from Feb. 2009 to Oct. 2009 and payrolls from Feb. 2009 to Sep. 2009 review. Legal reference: China Labor Law, Article 44

**Plan Of Action:** As identified in Deckers previous audits, all working hours should have been recorded in IC card system. All the payment should have been kept in the same payroll system. Extra swapping days and Sunday works should be applied and managed according to Deckers ESC policy. Further remediation is required and close monitoring will be done by Decker ESC team. Daily working hours reporting is required for close monitoring. Exceeding overtime is required to be applied by using the specific form according to Decker working hour guidance.

**Deadline Date:** 12/15/2009

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** According to Deckers verification, the average daily overtime is around 2.5 hours, total working hours were controlled within 60 hours, the maximum weekly hour is 63 hours. These numbers are different with the estimation by the IEM audit. The factory did improve on the working hours policy and procedure but failed on proper and consistent implementation, especially on proper management of swapping days and recording Sunday working hours. Since late November 2009, factory started daily working hours reporting to Deckers ESC. Deckers ESC will keep close monitoring at the coming months.

**Plan Complete:**

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 Date:  
 Comments:  
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## Wages, Benefits and Overtime Compensation: Q. Record Maintenance

WBOT.21 Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to-date. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** The factory did not provide a full year's time records and payrolls for review. The management stated that time records before Feb. 2009 were uncovered due to the change of working hour recording system. Furthermore payrolls before Feb. 2009 were stored in a warehouse and it was hard for them to search through those payrolls. During the audit, the factory only provided: time records from Feb. 2009 to Oct. 2009 and Payroll records from Feb. 2009 to Sep. 2009. Sources: management interview, payrolls and time records review. Legal reference: Payment of Wages Tentative Provisions, Article 6.

**Plan Of Action:** The factory was asked to improve the IT system and keep all necessary records accurate and complete. Necessary policy and procedures are required to be built up; qualified IT staff will take the responsibility for regular maintenance, and report the status to concerned personnel department, compliance department and factory top management. The records of payment and working hours are required to be maintained according to the law and regulations.

**Deadline Date:** 12/15/2009

**Supplier**

**CAP:**

**Supplier CAP**

**Date:**

**Action Taken:** As observed by Deckers in mid December 2009, the factory adjusted the IT system on personnel and attendance management with the assistance of their group team. The updated system has been running properly since December 2009. Deckers will keep close monitoring on the actual consistent implementation in the coming months.

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## Wages, Benefits and Overtime Compensation: W. Wage Receipt

WBOT.27 All payments of wages and benefits in cash and in-kind made directly to the worker must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (signature, thumbprint, etc.). No one can receive wages on behalf of a worker, unless the worker concerned has, in full freedom, authorized in writing for another person to do so. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** Workers were paid for Sunday overtime in cash - this was not documented. As per management and worker interviews, workers were not required to record their Sunday overtime and wages were paid in cash and not shown on the payrolls. No receipts were provided. Sources: Management and workers interview and payroll review.

**Plan Of Action:** As identified in Decker previous audits, all working hours should have been recorded in IC card system. All the payment should have been kept in the same payroll system. Extra swapping days and Sunday works should be applied and managed according to Decker ESC policy. Further remediation is required and close monitoring will be kept by Decker ESC team. Daily working hours reporting is required for close monitoring. Exceeding overtime is required to be applied by using the specific form according to Decker working hour guidance.

**Deadline Date:** 12/15/2009

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** According to Decker verification, the average daily overtime is around 2.5 hours, total working hours were controlled within 60 hours, the maximum weekly hour is 63 hours. These numbers are different with the estimation by the IEM audit. The factory did improved on the working hours policy and procedure but failed on proper implementation, especially on proper management of swapping days and recording the Sunday works. Since late November 2009, factory started daily working hours reporting to Deckers ESC. Deckers ESC will keep close monitoring on the actual consistent implementation in the coming months.

**Plan Complete:**

**Plan Complete Date:**

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## Forced Labor: F. Wage Advances

F.6 Wage advances shall not exceed three months pay or legal limits, whichever is less. Advances shall only be made following clearly established factory rules which have been communicated to workers. Advances must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (signature, thumbprint, etc.). (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** The factory did not establish a written policy on wage pre-payment. Sources: Confirmed by management interview, the factory has no such policy established.

**Plan Of Action:** The factory is required to refine the policy by adding the statement of no prepayment (more than 3 months' salary) according to FLA benchmark and implement the wage payment as required by China labor law and related local regulations.

**Deadline Date:** 12/15/2009

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** In the wage policy, it clearly stated that the salary will be paid every month, and in actual practice, the factory pays workers according to local law and regulation. Observed by Deckers ESC visit in mid December, factory updated the wage policy accordingly in the amendment of workers handbook. This amendment will be effective in January 2010.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

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## Freedom of Association: A. General Compliance Freedom of Association

FOA.1 Employers shall comply with all local laws, regulations and procedures concerning freedom of association and collective bargaining. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Servellance)	Noncompliance

**Explanation:** There is no right of freedom of association or collective bargaining. No collective contracts signed. The factory had a brief policy to guarantee the rights of FOA of workers. And a trade union was established but controlled by ACFTU. As per management, no collective contracts were signed. Sources: Review the policy of FOA of the factory, interview with management.

**Plan Of Action:** The factory is encouraged to further improve the freedom of association and sign the contract of collective bargaining while they review the workers handbook very soon. Meanwhile, factory is suggested to continuously improve the effectiveness of the grievance system.

**Deadline Date:** 01/29/2010

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** There is a draft of a collective bargaining agreement, but the contract was not signed , further discussion might be considered at the next meeting of worker representatives. The factory did take some progress to improve the grievance system by refine the grievance channel several times, providing the compliance contact information cards to each room of the dormitory and make necessary communication to concerned level.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

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## Freedom of Association: B. Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** FLA Comment: The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

**Plan Of Action:** The factory is encouraged to further improve the freedom of association and sign the contract of collective bargaining while they review the workers handbook before the end of 2009. Meanwhile, the factory has been asked to continuously improve the effectiveness of the grievance system.

**Deadline Date:** 01/29/2010

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** There is a draft of a collective bargaining agreement, but the contract was not signed, further discussion might be considered at the next meeting of worker representatives. The factory did make some progress to improve the grievance system by refining the grievance channel several times, providing the compliance contact information cards to each room of the dormitory and make necessary communication to concerned level.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**  
**Confidential**



## Comments:

**Harassment or Abuse: B. Discipline/Progressive Discipline**

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** The factory did not establish a policy on termination and retrenchment in special periods, like financial crisis. Sources: As per management interview, the factory never thought about this issue. They promised to establish such a policy in future.

**Plan Of Action:** The group CR leader is informed to work with the factory top management to submit a more informative plan and policy, complying with Chinese labor law and related local regulations, cope with FLA benchmark.

**Deadline Date:** 12/15/2009

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** Deckers did made survey on termination and retrenchment in special period like financial crisis in early 2009, brief plan had been provided by the factory management. As observed by Deckers ESC in mid December, factory submitted a refined policy on termination and retrenchment.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

**Harassment or Abuse: H. Discipline/Monetary Fines and Penalties**

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du	Noncompliance

Serveillance)

**Explanation:** Workers had wages deducted if they were late for work or took unapproved off-duty time. In addition, the workers injured in the work lost RMB 30-90 per injury, even the injury or accident happened due to the unsafe machines. Sources: By reviewing relevant disciplinary records and worker interview.

**Plan Of Action:** The factory is required to stop the improper practice on related bonus deduction immediately. Further communication and implementation is required to workers and all concerned levels for better implementation. The compensation for workers injury should be done according to related law and regulations.

**Deadline Date:** 12/15/2009

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** In the current workers handbook, disciplinary punishment is reflected on some bonus deduction. As required by Deckers ESC, factory drafted the amendment and adjusted on the bonus deduction by providing rationally performance bonus. As the workers handbook was not reprinted or updated, the amendments were not effectively communicated or implemented. In the revised policy, if there is any improper operation, it will affect concerned disciplines, no monetary deduction occur in policy or practice once the bonus policy was adjusted. Deckers ESC will keep close monitoring on actual monitoring in the coming months.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

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## Child Labor: C. Proof of Age Documentation

CL.3 Employers shall collect and maintain all documentation necessary to confirm and verify date of birth of all workers, such as birth certificates. In addition, the employers shall take reasonable measures to ensure such documentation is complete and accurate. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** There was a history of child labor working in the factory. The said worker was born in 1993. The worker (now not a child worker) is still working in the factory and on the audit day Nov. 6, 2009, he was over 16 years old. This worker did not provide

any valid official age documents to the recruitment staff when recruited and the staff admitted him on August 31, 2009. It was in Oct. 2009 that the worker provided his ID to the factory and the ID indicated that he was born in 1993. So we recommended that the factory to enhance the recruitment procedure. Sources: By reviewing the personnel files. Legal reference: China Labor Law, Article 15.

**Plan Of Action:** Further recommendation by Deckers ESC is to add necessary consequences of improper implementation on recruiting process by concerned supervisor or managers.

**Deadline Date:** 12/15/2009

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** Although the factory improved the policy and procedure on recruiting in 2009, the recent record of child labor was due to improper implementation of the procedure by some production manager and personnel staff; Observed by Deckers ESC in mid December, necessary consequences of improper implementation was added in the memo with top management's signature.

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

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## Child Labor: K. Child Care Facilities

CL.11 Childcare facilities shall not physically overlap with production areas, and children shall not have access to production areas. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** Children were found walking through the production area. Some workers' children lived in the dormitory of the factory. Every day, they passed through the production area to school accompanied by their parents. Sources: on-site observation by auditors.

**Plan Of Action:** The factory was asked to open a separate backdoor, and managed by safety guards to make sure the children who lived with their parents in the dormitory will not pass through the aisle to the main factory gate, thus avoiding any misunderstanding about child labor. During the time before the new door is adopted, safety guards should follow the procedure for registration as the parents

guide the children through the main gate.

**Deadline** 12/31/2009

**Date:**

**Supplier**

**CAP:**

**Supplier CAP**

**Date:**

**Action**

**Taken:**

**Plan**

**Complete:**

**Plan**

**Complete**

**Date:**

**Action**

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**Action**

**Verified**

**Text:**

**Action**

**Verified**

**Date:**

**Comments:**

**Confidential**

**Comments:**

## Child Labor: M. Other - Child Labor

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** The factory did not maintain a separate list for juvenile workers to facilitate the management for their protection. A total of 189 young workers were included in the list of all employees, instead of a separate list for better facilitation. Sources: Management interview, work list review.

**Plan Of Action:** The factory should refine the management by separately building up a comprehensive personnel file for best tracking.

**Deadline** 12/15/2009

**Date:**

**Supplier**

**CAP:**

**Supplier CAP**

**Date:**

**Action**

**Taken:**

According to the requirement, factory did register with the local labor bureau and kept a separate list for juvenile workers. As per physical examinations that are conducted, juvenile workers are assigned light positions in production line. As observed by Deckers ESC in mid December, the factory built up a separate personnel file for all Juvenile workers, and the alarm function was added in the computer system.

**Plan**

**Complete:****Plan****Complete****Date:****Action****Verified:****Action****Verified****Text:****Action****Verified****Date:****Comments:****Confidential****Comments:**

## Miscellaneous: A. Code Awareness

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** Interviewed workers had little knowledge of the company's Code of Conduct.  
Sources: By interview with workers.

**Plan Of Action:** Deckers will do continual training and communication with the management and workers to improve the awareness and understanding on Deckers ESC guideline as well as the FLA benchmarks

**Deadline Date:** 12/31/2009

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** By early January, a Deckers ESC orientation training will be held for the senior management of major Deckers suppliers, more activities and trainings will be scheduled in 2010.

**Plan****Complete:****Plan Complete****Date:****Action****Verified:****Action****Verified Text:****Action****Verified Date:****Comments:****Confidential**

Comments:

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## Health and Safety: H. Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** 1. 20 security guards were missing qualification certificates. Sources: Based on the management interview. Legal reference: Regulation on Internal Security and Safeguard for Enterprises and Public Institutions, Article 9. 2. The factory did not obtain the waste emission certificate. Sources: By interview with the management and on-site observation. Legal reference: Environmental Protection Law of the People's Republic of China, Article 27 Law of the Peoples' Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, Article 16 Environmental Protection Law Of The People's Republic Of China, Article 13

**Plan Of Action:** 1) The factory is now required to improve the policy and procedures for safety guard management according to the newly update regulations which will be valid Jan.2010. All the security guards should obtain certificates. 2) Environmental protection is included in the HSE project for capacity building program initiated by Deckers ESC for the concerned factory management.

**Deadline Date:** 12/31/2009

**Supplier**

**CAP:**

**Supplier CAP**

**Date:**

**Action**

**Taken:** In 2009, basic health and safety training was conducted by Deckers ESC team for some related factory management. From December 2009 through July 2010, one selected EHS officer from the group will participate the Deckers EHS project to systematically improve the management and knowledge on EHS (Environment, Health and Safety).

**Plan**

**Complete:**

**Plan**

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**Date:**

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**Date:**

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**Comments:**

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## Health and Safety: K. Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

	<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
	11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance
<b>Explanation:</b>	Almost 80% of workers in glue and silk-printing workshops did not wear masks and gloves. 80% of workers operating hot-pressing machines did not wear ear-plugs. Sources: By on-site observation during the walk through of the workshops, it appeared that the factory needed to enhance the education and training of workers on PPE use, as most workers did not wear PPE while working. Legal reference: China Labor Law, Article 54				
<b>Plan Of Action:</b>	The factory should consider the chemical MSDS and the noise conditions and educate the workers wear proper PPE when necessary. The policy, procedure and internal audit shall be improved accordingly for better implementation according to OHSAS18001.				
<b>Deadline Date:</b>	12/15/2009				
<b>Supplier CAP:</b>					
<b>Supplier CAP Date:</b>					
<b>Action Taken:</b>					
<b>Plan Complete:</b>					
<b>Plan Complete Date:</b>					
<b>Action Verified:</b>					
<b>Action Verified Text:</b>					
<b>Action Verified Date:</b>					
<b>Comments:</b>					
<b>Confidential Comments:</b>					

## Health and Safety: R. Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

	Audit Date	Audit Type	Audit Scope	Auditor	Score
	11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance
<b>Explanation:</b>	10 die-casting machines were initiated by foot. The operation platform had no safety guards. The buttoning machines were also missing safety guards. Sources: During the walkthrough of the workshops. Also, the injury records of the factory indicated fingers of workers were injured repeatedly. Legal reference: General rules for designing the production facilities in accordance with safety and health requirements 3.1.2 and 3.1.6				
<b>Plan Of Action:</b>	All the machines should be maintained according to a refined policy and procedure regularly. Monthly summary and analysis on the work injury is required to reduce the negative impact				
<b>Deadline Date:</b>	12/15/2009				
<b>Supplier CAP:</b>					
<b>Supplier CAP Date:</b>					
<b>Action Taken:</b>					
<b>Plan Complete:</b>					
<b>Plan Complete Date:</b>					
<b>Action Verified:</b>					
<b>Action Verified Text:</b>					
<b>Action Verified Date:</b>					
<b>Comments:</b>					
<b>Confidential Comments:</b>					

## Health and Safety: ZB. Sanitation in Dormitories

H&S.28 All dormitories shall be kept secure, clean and have safety provisions (such as fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting etc.). Emergency evacuation drills shall also be conducted at least annually. (S)

	Audit Date	Audit Type	Audit Scope	Auditor	Score
	11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance
<b>Explanation:</b>	In the dormitory for female employees, there were warehouses for abandoned equipment and materials on the ground floor. Besides, the dormitory for management staff was connected with a packaging material warehouse. Sources: Onsite Observation. Legal reference: Fire Prevention Law of the People's Republic of China, Paragraph 1 of Article 15				



**Plan Of Action:** The abandoned equipment are inflammable. But the packaging material warehouse should be moved away from the dormitory by certain distance according to related regulations.  
**Deadline Date:** 12/15/2009  
**Supplier CAP:**  
**Supplier CAP Date:**  
**Action Taken:**  
**Plan Complete:**  
**Plan Complete Date:**  
**Action Verified:**  
**Action Verified Text:**  
**Action Verified Date:**  
**Comments:**  
**Confidential Comments:**

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## Health and Safety: ZC. Other - Health and Safety

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** 1) The factory did not conduct special occupation health examinations for workers exposed to hazardous chemicals, like glues and paints. In 2008, the factory provided general health examinations to 152 employees, instead of occupation health examinations. Also, the number of workers exposed to occupation hazards was far bigger than 152. Sources: Document review (health examination report) and interview with management and on-site observation. Legal reference: China Labor Law, Article 54. 2) The management appeared to have limited knowledge on environment protection. The factory did not undergo an environment impact assessment before the establishment. Hazardous waste like waste water in spray-painting and the used chemical containers was not disposed by a qualified supplier. The factory did not monitor the indexes of the environment hazards factors like noises, waste gas, and waste water.

**Plan Of Action:** 1) Instead of the normal physical examination, factory should approach local Occupational Disease center to conduct the professional examination regularly. 2) Environmental protection is included in the EHS project for capacity building for the concerned factory management.

**Deadline Date:** 12/15/2009

**Supplier****CAP:****Supplier CAP****Date:****Action****Taken:**

It is considered that the coming EHS training project start by Dec.2009 that with the assistance by the factory compliance team, the factory is now contacting a professional hospital and preparing to re-conduct the Occupational Health Examination for concerned workers in December 2009. In 2009, basic health and safety training had been conducted for some related factory management in the factory. Started in December 2009 through July 2010, one selected EHS officer from the factory will participate the Deckers EHS project (cooperated with a consulting group and a local university) to systematically improve the management and knowledge on EHS (Environment, Health and Safety).

**Plan****Complete:****Plan****Complete****Date:****Action****Verified:****Action****Verified****Text:****Action****Verified****Date:****Comments:****Confidential****Comments:**

## Hours of Work: B. Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** The estimated rest-days of workers per month were, on an average basis, 1-3 days . Both management and worker interview confirmed that off-clock occurred on Sunday overtime. That is, workers were required to work on Sundays occasionally, but they were not required to record these hours. And the wages were paid in cash and not shown on the payrolls provided to the auditors. Therefore, it was hard to evaluate the actual rest days of workers. Sources: Management and workers interview, on-site production records review, time records from 2009 Feb.2009 to Oct. 2009 and the payrolls from Feb. 2009 to Sep. 2009 review. Legal reference: China Labor Law, Article 38.

**Plan Of  
Action:**

As required by Deckers ESC guideline and working hours guidance, and identified in Deckers previous audits, all working hours should have been recorded in IC card system. All the payment should have been kept in the same payroll system. Extra swapping days and Sunday works should be applied and managed according to Deckers ESC policy. Further remediation is required especially about better implementation on swapping days. Close monitoring will be kept by Deckers ESC

team.

**Deadline Date:** 12/15/2009

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** According to Deckers verification, the average daily overtime is around 2.5 hours, total working hours were controlled within 60 hours, the maximum weekly hour is 63hours. These numbers are different than those estimated during the IEM audit. The factory did improve on the working hours policy and procedure, but failed on proper implementation, especially on proper management of swapping days, and recording the Sunday working hours. As observed by Deckers ESC in mid December, starting in late November, the factory applied the daily working hours report and manage the overtime work as required. Deckers ESC will keep monitoring the actual consistency of implementation in the coming months.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

**Confidential Comments:**

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## Hours of Work: F. Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
11/06/2009	External	FLA IEM Audit Scope	SGS (Societe General du Serveillance)	Noncompliance

**Explanation:** Incomplete and inaccurate working hour recording. Both management and related production records confirmed that workers in workshops would have overtime on Sundays sometimes to cope with the production necessity almost every month since this year. But the corresponding time records indicated that these workers rested on all Sundays. The management was open toward this non-compliance and confirmed that workers were not required to swipe their timecards on these Sundays. But the management stated that such cases only happened to one to two workshops (100-500 workers) every time. And the overtime wages were paid through cash and not reflected on the payrolls provided to auditors. And the wages shown on the payrolls were paid through bank transfer. Due to the incomplete and

inaccurate overtime recording, the factory's actual overtime, rest days, weekly working hours and overtime wage could not be verified. But according to related production records and management and workers' testimonies, the estimated weekly working hours would be up to 76 hours and the average weekly work possibly was 64 hours. Also, on an estimated basis, 1. The average rest days in a month would be 1-3 days. 2. The daily overtime was up to 4 hours and monthly overtime would be up to 120 hours and average number was 100 hours. Sources: management and workers interview, review the related on-site production records, time records from Feb. 2009 to Oct. 2009 and payrolls from Feb. 2009 to Sep. 2009 review. Legal reference: China Labor Law, Article 41.

**Plan Of Action:** As required by Deckers ESC guideline and working hours guidance, and identified in Deckers previous audits, all working hours should have been recorded in IC card system. All the payment should have been kept in the same payroll system. Extra swapping days and Sunday works should be applied and managed according to Deckers ESC policy. Further remediation is required especially about better implementation on swapping days. Close monitoring will be kept by Deckers ESC team.

**Deadline Date:** 12/15/2009

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** According to Deckers verification, the average daily overtime is around 2.5 hours, total working hours were controlled within 60 hours, the maximum weekly hour is 63 hours. These numbers differ from the estimation that was found during the IEM audit. The factory did improve on the working hours policy and procedure, but failed on proper implementation, especially on proper management of swapping days, and recording the Sunday working hours. As observed by Deckers ESC in mid December, starting in late November, the factory applied the daily working hours report and manage the overtime work as required. Deckers ESC will closely monitor the actual implementation in the coming months.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**  
**Confidential Comments:**